

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 56th LEGISLATURE - REGULAR SESSION

JOINT SELECT COMMITTEE ON JOBS AND INCOME

Call to Order: By **CHAIRMAN BOB DEPRATU**, on January 7, 1999 at 4:00 P.M., in Room 312 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chairman (R)
Rep. Karl Ohs, Vice Chairman (R)
Sen. Lorents Grosfield (R)
Rep. Douglas Mood (R)
Rep. Bruce Simon (R)
Rep. Emily Swanson (D)
Sen. Mike Taylor (R)
Sen. Jon Tester (D)
Rep. Carley Tuss (D)
Sen. Mignon Waterman (D)

Members Excused: None.

Members Absent: None.

Staff Present: Gordon Higgins, Legislative Branch
Deb Thompson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: LC 1434, LC 322, 1/4/99
Executive Action: LC 1434, LC 322

LC 1434

Gordon Higgins presented the research and commercialization draft, LC 1434. **EXHIBIT(joh04a01)** He explained the trust within the trust concept. This would transfer \$7.5 million as seed money that would fund research and commercialization projects during the first year. The \$7.5 million would be transferred

based on project proposals submitted to the Commission. **{Tape : 1; Side : A; Approx. Time Counter : 0 - 4.1}**

Sen. Grosfield discussed the trust within the trust concept. The fund would grow over time. He pointed out some minor changes in language. He said the policy statement should reflect the purpose of the trust fund which was to provide a predictable source of funds for research. **{Tape : 1; Side : A; Approx. Time Counter : 4.1 - 6.5}**

Sen. Taylor asked that the research and development create jobs in Montana not just academia. He asked if the bill addressed benchmarks. **{Tape : 1; Side : A; Approx. Time Counter : 6.5 - 8}**

Sen. Grosfield said the commission's charge was to promote economic development. They would be hiring top people.

Rep. Simon pointed out research may not be an appropriate word. Agriculture research may not be the same as technical research. Research may have nothing to do with either agriculture or technology. Both are narrow ideas and there may be an innovative idea that should be considered. Rep. Swanson said this was an important point. This was not to encourage research into opening another McDonalds. We are aiming at technologically based businesses that will bring the most promising types of jobs for high paying jobs in the state. Technology is a general enough term to cover both agricultural and other types of research. Rep. Simon suggested "scientific" may be a broader term. **{Tape : 1; Side : A; Approx. Time Counter : 8 - 17.3}**

Sen. Grosfield said these would be criteria the Commission had to use to establish policies and procedures and they had to improve these. A research project would have to meet at least one of the criteria.

Sen. Grosfield **MOVED** to pass on LC 1434. He said this was part of developing a plan for the overall economy. The question was called. The motion **PASSED** unanimously. The committee members will sign the bill as sponsors. **{Tape : 1; Side : A; Approx. Time Counter : 16.8 - 25.2}**

LC 322

Gordon Higgins explained the draft. **EXHIBIT(joh04a02)** This proposal would combine the business equipment tax with the job training tax credit and the new job creation credit. **{Tape : 1; Side : A; Approx. Time Counter : 39}**

Jeff Martin discussed the bill which also planned for the phase out of livestock. This addresses how much money goes back to the local taxing jurisdiction. He said the second section deals with the property tax exemption for newly acquired equipment, which can be new or used. The reporting requirement still need to be made to the Department of Revenue to keep tabs on what business equipment is being exempt. He discussed the malt barley facility and why this was addressed in the bill. **{Tape : 1; Side : A; Approx. Time Counter : 39.9-43}**

Rep. Swanson asked how the canola and malt barley facilities were taxed. Martin explained they were in the class 6 at 4%. Sen. Taylor described the historical perspective.

Rep. Simon said canola dated back to 1989. This was a special bill. This is what you are seeing in our tax code as a result of special projects that people are trying to create a tax break to try to attract certain industries. **{Tape : 1; Side : A; Approx. Time Counter : 39.9 - 44.8}**

Sen. Tester said it was appropriate that this was focused on the small business people. He said the big business still needs to pay tax. The concern is the fiscal impact on the general fund since this deals with a large period of time. Rep. Ohs pointed out when you get up to that level of big business, there is hardly anyone there. **{Tape : 1; Side : A; Approx. Time Counter : 55.3-60}**

Sen. Taylor discussed the fiscal impact. He pointed out the effects of this tax elimination would stimulate business in the state that in six years would generate \$50-60 million return. **{Tape : 1; Side : A; Approx. Time Counter : 55.3 - 64}**

{Tape : 1; Side : B}

Sen. Waterman asked what this did to the local tax base. Rep. Simon discussed the Koker Plant built by Conoco in his district. These are high paying jobs and the workers put money back into the community as well as pay higher taxes.

Rep. Mood said there was a lot of questions about where the money would come from to replace revenue. It appeared that we were so used to dealing with that side of the economy that we can't imagine growing the economy. Sen. Tester said he was concerned about the time it would take, what programs would be cut. This proposal would draw down the general fund. **{Tape : 1; Side : B; Approx. Time Counter : 0 - 7.9}**

Jeff Martin continued explaining the remainder of the bill. He talked about the adjustment of bonding capacity and the impact to

county government. He noted it did not matter whether migratory property for livestock moved in and out of state for property tax purposes. The section dealing with the valuation of livestock starts on page 40. The Department of Revenue still keeps tabs on livestock for per capita levy purposes. The assessment part is no longer applicable but the livestock levy is still collected.

{Tape : 1; Side : B; Approx. Time Counter : 10.6 - 18.5}

Rep. Ohs asked about the \$5,000 exemption if you still had to file a report on the equipment. Martin replied it was not a \$5,000 exemption but rather a credit for taxes paid on the market value of \$5,000. It means it is still on the tax rolls in the county. The funding source will be from the general fund. The counties should be indifferent to this because they have no book work and nothing to keep track of with respect to personal property. The benefit is to the taxpayers who pay the property tax. The funding source is the general fund. **{Tape : 1; Side : B; Approx. Time Counter : 20 - 22.6}**

Sen. Waterman said because this is both individual income tax credit and corporation tax credit, financial institutions pay corporate income tax to the state and then it is redistributed to the counties at 80%. She asked how this would work. Martin said the tax liability of the financial institution would go down. **{Tape : 1; Side : B; Approx. Time Counter : 22.6 - 26.6}**

Sen. Waterman said it was important to have the next legislative session look at this. Sen. Taylor said this was not a two year program, a ten year benchmark would be more appropriate. Sen. Grosfield noted the Commission bill deals with benchmarks. This bill is an innovative approach. **{Tape : 1; Side : B; Approx. Time Counter : 26.6 - 36.8}**

Sen. Taylor **MOVED** to pass the draft to bill form.

Rep. Simon said there were other proposals. One of the important factors of this was predictability and stability. A business making a major commitment to Montana needs time. A quick limit is not conducive to a good business atmosphere. **{Tape : 1; Side : B; Approx. Time Counter : 36.8 - 39.1}**

The question was called. The motion **PASSED** unanimously.

ADJOURNMENT

Adjournment: 5:15 P.M.

SEN. BOB DEPRATU, Chairman

DEB THOMPSON, Secretary

BD/DT

EXHIBIT (joh04aad)